STAT

Approved For Release 2002/08/07 : CIA-RDP80R01720R001000070001-9

24 July 1975

STATINTL

MEMORANDUM FOR: [redacted]
Office of Finance
Room 513 Key Building

SUBJECT : Certification of FY 1975 Obligations

This is to certify that all obligations reported to the Office of Finance during Fiscal Year 1975 which remained unliquidated as of 30 June 1975 were valid and properly documented in accordance with HHB 30-1, para. 20a(1).

STATINTL

[redacted]
George Carver
D/DCI/NIO

Orig to AO/DCI 7/30/75

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THE DIRECTOR OF CENTRAL INTELLIGENCE
WASHINGTON, D. C. 20505

23 July 1975

MEMORANDUM FOR: The Honorable James R. Schlesinger
The Secretary of Defense

SUBJECT : Implications of Current East European Grain Crop Forecast

Jim:

1. During the past month, our OER colleagues have lowered by almost ten percent their forecast of Eastern Europe's grain crop, largely as a result of floods and drought in that area. So far, the available evidence suggests that the various countries involved will be able to manage without increasing grain imports from the U.S. or other Western nations. Before this season is over, however, all that could be changed by further adverse weather, or by political considerations. Given the importance of this situation and the elements of uncertainty involved in it, [redacted] in OER pulled together a mini-estimate as part of our backup material for the President's discussions with East European leaders in Warsaw, Helsinki, Bucharest and Belgrade. 25X1A

2. I thought you might be interested in this piece and in a complementary article on the current overall East European economic situation published on 23 July in OER's Economic Intelligence Weekly. Copies of both of these notes are appended for your information.

25X1A [redacted]

George A. Carver, Jr.
Deputy for National Intelligence Officers

Attachments

GACarver, Jr./kes
Original - Addressee w/atts
1 - NIO/USSR w/o atts
1 - D/NIO Chrono w/atts
[redacted]

25X1 [redacted] 25X1

of Central Intelligence

NIO # 1722/75
23 July 1975

MEMORANDUM FOR: Mr. Colby

SUBJECT : Support for the President's Trip: Implications of Current East European Grain Crop Forecast

Bill,

Floods and drought have reduced OER's Eastern Europe grain crop forecast by almost 10% in the last month. So far the policy implication is that the various countries involved will manage without increasing US or other Western grain imports, but weather (or politics) may yet this season change all that. So [redacted] in OER has pulled together a mini estimate as back-up for the President's discussions with East European leaders in Warsaw, Helsinki, Bucharest and Belgrade.

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[redacted]

National Intelligence Officer
for USSR/EE

Attachments

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Office of the Director
of Central Intelligence

23 July 1975

MEMORANDUM FOR: [redacted]

SUBJECT : East European Grain Situation: Implications for the President's Trip

Denis and Bob,

Here is a free-will offering on the current outlook for the Eastern European grain crop, and our best guess on grain import implications. We were moved by the recent flood/drought combinations in the area to think the estimate might be of use in connection with the President's trip and discussions with East European leaders. [redacted] of CIA's Office of Economic Research wrote the piece.

I also call to your attention a piece on the current overall Eastern European economic situation, published this morning in OER's Economic Intelligence Weekly. A copy is attached.

[redacted]

National Intelligence Officer
for USSR/EE

Attachment

Office of the Director
of Central Intelligence

23 July 1975

MEMORANDUM FOR: Mr. Helmut Sonnenfeldt
Counselor of the Department
of State

SUBJECT : East European Grain Situation:
Implications for the President's
Trip

Hal,

Here is a free-will offering on the current outlook for the Eastern European grain crop, and our best guess on grain import implications. We were moved by the recent flood/drought combinations in the area to think the estimate might be of use in connection with the President's trip and discussions with East European leaders. [redacted] of CIA's Office of Economic Research wrote the piece.

STATINTL

I also call to your attention a piece on the current overall Eastern European economic situation, published this morning in OER's Economic Intelligence Weekly. A copy is attached.

STATINTL

[redacted]

National Intelligence Officer
for USSR/EE

Attachments

ccs: Mr. Hyland
Mr. Hartman
Mr. Armitage

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EASTERN EUROPE: ECONOMIC SITUATION REPORT

Poor crop weather in July in Eastern Europe portends a disappointing agricultural performance in 1975 and an almost certain slowdown in economic growth. The various Communist regimes had already been braced for a difficult year because of prolonged Western recession and the substantial rise in the price of Soviet raw materials.

Agriculture: Floods in the South, Drought in the North

The East European governments had been counting on a grain crop even greater than the record 90 million tons of 1974. However, rains, floods, and drought combined forces in early July to dim these hopes. With the harvest under way, torrential rains and flooding hit Romania, Yugoslavia, Hungary, and Czechoslovakia, causing considerable damage to grains. Meanwhile, grain crops in East Germany and fodder crops in Poland were threatened by drought. We have lowered our estimate of the region's grain crop to 86 million tons.

Impact of Western Recession

Recession among major non-Communist countries has held back Eastern Europe's export sales in 1975, with the decline in volume being hidden by price increases and revaluations of currencies.

Yugoslavia purchased three-fourths of its imports from the West in 1974 and, with its more open and less centrally planned economy, is particularly vulnerable to economic developments in the West. Exports to its major Western markets declined in the first quarter compared with a year earlier while imports continued to increase rapidly. Belgrade imposed import restrictions in June. It has requested debt rescheduling on a selective basis, being able so far to finance only two-thirds of the hard currency requirements we estimate for 1975. Growth of industrial production slackened in late spring as a result of earlier import restrictions and deliberate efforts to rein in new investment. In spite of government efforts to curb imports and investment, inflation is still running at 25%. A unique factor in the inflation problem in Yugoslavia is the ability of local worker councils to press for higher wages.

Romania, as an exporter of petroleum and a beneficiary of higher world prices, continued its rapid industrial growth through the first quarter. Growth of exports to the West was about the same as in 1974 but, like the others, Romania was

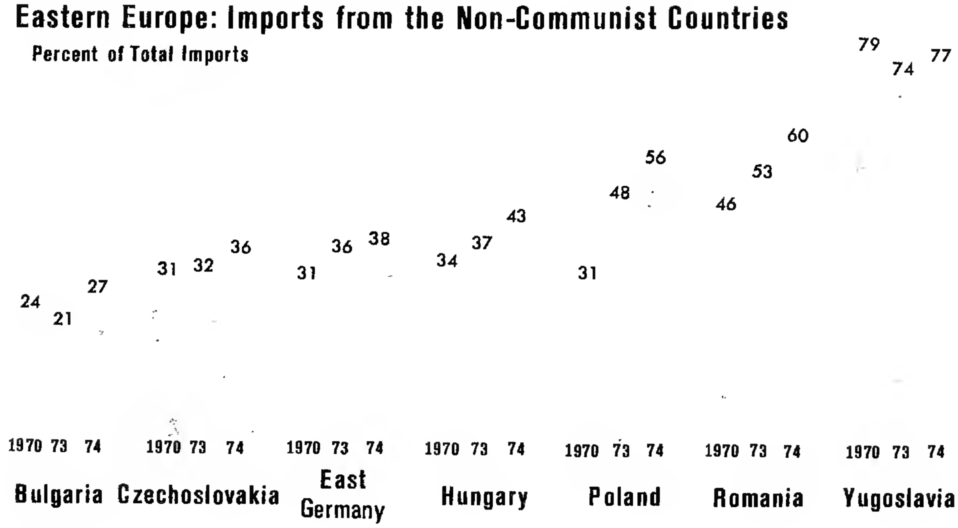
having difficulty in marketing such goods as textiles and chemicals in the West. Also, Romania is no longer self-sufficient in crude oil and will require increasing imports to utilize its refining capacity. Bucharest in July imposed price increases for various consumer goods and services, ranging from 25% for natural gas to 103% for heating oil.

Poland, with the advantage of growing foreign demand for raw materials such as coal and sulfur, has been less affected than the others by world economic problems. Prices for its exports to the West actually increased more in 1974 than prices for its imports. Warsaw is having little difficulty in obtaining Western credits, having secured at least $2.6 billion so far in 1975. The largest deal is the $1.7 billion in government-guaranteed credits from France arranged during Giscard D'Estaing's visit to Warsaw in June. The regime is still managing to satisfy consumer demand sufficiently to avoid widespread discontent. Adverse consumer reaction to scattered meat shortages last winter and again in June underline the continuing pressure on the regime to step up supplies of quality goods.

Hungary, which purchased less than half of its imports from the West in 1974, already has lowered its goals for economic growth and levels of consumption for the next five years. Poor in mineral resources, Hungary is more heavily dependent on trade for its economic progress than are the other East European countries. Exports to the West declined in the first quarter and continued to decline in April and May. The government has been tightening restrictions on imports. Hungary was the only East European country to reduce orders for Western machinery and equipment in January-May 1975 compared with a year earlier.

Bulgaria, Czechoslovakia, and ***East Germany*** are less dependent on Western imports and have generally been less affected by the recession.

Eastern Europe: Imports from the Non-Communist Countries



Eastern Europe: Trade with the West[1]

Million US $

	Imports				Exports			
	1973	1974	Jan-Mar 1974	Jan-Mar 1975[2]	1973	1974	Jan-Mar 1974	Jan-Mar 1975[2]
Total	**10,521**	**15,311**	**3,080**	**4,421**	**7,828**	**9,485**	**2,110**	**2,337**
Bulgaria	408	717	122	243	299	325	83	89
Czechoslovakia	1,118	1,417	289	385	963	1,139	238	299
East Germany	1,580	2,020	414	559	1,413	1,819	396	457
Hungary	929	1,526	308	461	939	1,115	235	233
Poland	2,605	3,723	778	1,084	1,589	2,029	489	543
Romania	1,164	1,809	362	581	919	1,187	237	306
Yugoslavia	2,717	4,099	807	1,108	1,706	1,871	432	410

1. Austria, France, Italy, Japan, Sweden, Switzerland, United Kingdom, United States, and West Germany. Data are from Western sources.
2. Preliminary estimates.

Eastern Europe: Trade with the United States[1]

Million US $

	Imports				Exports			
	1973	1974	Jan-Mar 1974	Jan-Mar 1975	1973	1974	Jan-Mar 1974	Jan-Mar 1975
Total	**839**	**1,130**	**302**	**374**	**471**	**807**	**178**	**192**
Bulgaria	6	22	2	11	5	8	6	9
Czechoslovakia	72	49	13	12	35	46	8	11
East Germany	28	21	6	2	10	14	3	3
Hungary	33	56	20	30	16	75	7	13
Poland	349	395	104	141	182	266	68	69
Romania	116	277	72	74	56	130	28	18
Yugoslavia	235	310	85	104	167	268	58	69

1. US data.

Trade with the United States is dominated by Poland and Yugoslavia, the only countries having Export-Import Bank financing and most-favored-nation status. Romania found its access to Export-Import credits suspended under the 1974 US Trade Act; a Romanian-US trade agreement now awaits legislative action in the Congress.

The Soviet Price Increases

The stiff price increases for Soviet oil and other raw materials in early 1975 have had their greatest impact on Hungary, Czechoslovakia, and East Germany. Poland with its coal and Romania with its oil have been less affected. Bulgaria has fallen in between. Yugoslavia had been paying world market prices for its Soviet raw materials and has not been affected by the price hikes. The impact on the hardest hit countries has been mitigated – at least in 1975 – by various Soviet concessions. For instance, the Hungarians have benefited from Soviet long-term credits and above-plan deliveries of vital raw materials.

Near-Term Prospects

We expect the East European regimes to search for additional financing in Western money markets while dampening consumption at home. Indebtedness to the West is high and growing, although not yet a serious problem (except in Yugoslavia). Poland alone may avoid an economic slowdown this year. (Confidential)■

* * * *

23 July 1975

IMPACT OF FLOODS AND DROUGHT ON EASTERN EUROPE'S GRAIN OUTLOOK

Rains, floods, and drought combined forces during July to dim Eastern Europe's hopes for bumper harvests.

--With the harvest underway, torrential rains and flooding hit Romania, Yugoslavia, Hungary, and Czechoslovakia, causing damage to grains.

--Meanwhile, grain crops in East Germany and fodder crops in Poland are threatened by drought.

We have cut our estimate almost ten percent in the last month and now project this year's grain harvest at about 86 million tons compared with 90 million tons in 1974. This projection, however, assumes normal weather for the remainder of the growing and harvesting seasons.

The presently expected shortfall in grain production is not likely to trigger increases in grain imports. We project East European grain imports for FY 1976 of 8 to 8-1/2 million tons compared with about 9 million tons last year. The decline in imports is explained largely by the expected absence from the grain market of Yugoslavia and Bulgaria.

Yugoslavia will experience about one-half of the expected 4 million ton decline in output, but stocks from last year's bumper wheat crop, and a policy of further belt-tightening, will probably keep Belgrade out of the grain market this year. In FY 1975, Yugoslavia imported about 0.5 million tons of grain. Bulgaria is also not expected to need imports. Last year, a drought forced Sofia to import about 0.8 million tons of grain to feed livestock.

25X1

The USSR is expected to supply the usual amount of wheat -- almost 4 million tons -- in FY 1976 and is unlikely to supply additional grain because of the floods. The Soviets would probably be responsive to emergency requests for grain by their regular East European customers -- Czechoslovakia, East Germany, or Poland, which together account for almost all of the normal Soviet sales. Among the flooded countries, Hungary, Romania, and Yugoslavia are not normally Soviet customers for grain. Of these, only Romania is now expected to be in the grain market and her maverick relationship to the USSR would work against a Soviet offer.

Eastern Europe imported about 2-1/2 million tons of grain from the United States in FY 1975 and is expected to import a similar quantity in FY 1976. Poland, Romania, and East Germany will be the major buyers of US grain. Except for Romania which has already requested emergency shipments of 200,000 tons of feed grains, the flooding is not expected to increase demand for US grain at this time. Demand will increase, however, if drought conditions persist in East Germany and Poland and result in crop losses beyond what is now forecast.

Both Poland and Romania are seeking CCC credits for grain. Warsaw plans to increase its grain purchases to as much as 1.2 million tons annually of wheat, barley, and corn to support its growing livestock sector. Romania's plans are less certain. Drought had caused two poor harvests in a row and this year a good harvest was necessary to replenish depleted feed stocks. Bucharest might also purchase wheat for resale to its export customers as it did in 1974.

23 July 1975

STATINTL

NOTE FOR: [redacted]

For your information, the Senate Select staffers have now decided to focus in on the FOCUS B exercise. They have formally requested the opportunity to review all of the various papers which taken together comprise the FOCUS effort. The DCI has responded that he sees no reason that they not have access to these papers. Of course, at this time none of the material will be given to the staffers but will be reviewed in the presence of a Human Sources Committee member. Should the staffers decide that they want retention copies of any of the papers, they will have to submit specific requests along this line. Additionally, should they wish to meet with any of the NIOs who have participated in the [redacted] exercise, a request will have to be levied through channels.

STATINTL

[redacted]

STATINTL

George A. Carver, Jr.
Deputy for National Intelligence Officers

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Cys - Addressees
1 - DOC Chrono
1 - D/NIO Chrono

NIO - 75

JC

11 July 1975

STATINTL

MEMORANDUM FOR: [redacted] NIO/USSR

SUBJECT : Designation as Acting D/DCI/NIO

1. As you know, I plan to take a week's leave beginning at COB Friday, 11 July. Per the attached notice, you are hereby formally designated Acting Deputy to the Director of Central Intelligence for National Intelligence Officers during my absence.

2. In this capacity, you will have both the right and the obligation to sit for me as a member of the Agency's appellate body on Freedom of Information Act appeals, the Information Review Committee.

STATINTL

[redacted]

George A. Carver, Jr.
Deputy for National Intelligence Officers

cc: DCI
DDCI
Chairman, IRC
D/DCI/NIO chrono ✓

STATINTL

[redacted]

11 July 1975

MEMORANDUM FOR: All NIOs

SUBJECT : Designation of Acting D/DCI/NIO

STATINTL

Effective COB Friday, 11 July 1975, [redacted] NIO/USSR, is designated Acting Deputy to the Director of Central Intelligence for National Intelligence Officers. He will serve in this capacity until I return from leave, which I plan to do on Monday, 21 July.

STATINTL

[redacted]

George A. Carver, Jr.
Deputy for National Intelligence Officers

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NIO #1584-75

8 July 1975

[redacted]

STATINTL

You will think our manners here at the Agency are something awful. I refer to your friendly letter of May 21 addressed to George Carver.

Part of the trouble has been the rush of events here and part of it has been a lot of head scratching and mulling.

But I am afraid that the final decision has been that we are going to have to continue our old tradition which will not allow us to participate in the project you have suggested.

Perhaps times and customs will change; you will have noted, of course, that the Director has appeared on national television.

With thanks.

Sincerely,

[redacted]

STATINTL

Angus MacLean Thuermer
Assistant to the Director

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Next 3 Page(s) In Document Exempt

Office of the Director
of Central Intelligence

7 July 1975

Note For: The Director

Attached is a self-explanatory note to Mr. Hills confirming the NIE arrangements agreed to at the White House session 1 July.

STATINTL

[redacted]

George A. Carver, Jr.
D/DCI/NIO

cc: DDCI

STATINTL [redacted]

Executive Registry

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